

Message Text

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21

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 XMB-02 FRB-03

CIAE-00 INR-07 NSAE-00 /066 W

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R 080730Z AUG 75

FM AMEMBASSY BUCHAREST

TO USDOC WASHDC

INFO SECSTATE WASHDC 4011

LIMITED OFFICIAL USE BUCHAREST 3834

E.O. 11652: N/A

TAGS: BPRO, BTRA, RO, XT

SUBJ: ROMANIAN SMALL CAR PROJECT: GM INTEREST

REF: USDOC 10275

1. SUMMARY. AFTER YEARS OF BEING UNABLE TO INTEREST U.S. AUTO MAKERS IN ITS SMALL CAR PROJECT, ROMANIA FINDS ITSELF IN HAPPY POSITION OF HAVING TWO U.S. FIRMS IN NEGOTIATION SIMULTANEOUSLY. LIKE CHRYSLER, GM IS NOW ENGAGED IN EXPLORATORY DISCUSSIONS, BUT PACE APPEARS TO BE MORE RAPID. END SUMMARY.

2. GM REGIONAL REPS (NEWLY-APPOINTED EE AREA MGR. NEWTON AND SOURCE DEV. DIR. KRAUSE) VISITED BUCHAREST EARLY JULY, UNAWARE OF EARLIER GOR APPROACHES IN CONJUNCTION WITH MINISTER AVRAM'S VISIT. THEIR AVOWED OBJECTIVE WAS TO MAKE COMPARATIVE ANALYSIS OF CLIMATE IN EE COUNTRIES IN LINE WITH WHAT NEWTON STATED WAS GM'S DETERMINATION TO "DO SOMETHING" IN AREA. EXCHANGES WITH MINISTRY OF HEAVY MACHINE BUILDING YIELDED SUFFICIENTLY INTERESTING RESULTS THAT NEWTON AND KRAUSE RETURNED LATE JULY TO CONTINUE DISCUSSIONS.

3. AS HASTILY OUTLINED BY NEWTON PRIOR TO DEPARTURE, SECOND ROUND OF TALKS PROGRESSED RATHER WELL. NEWTON DEFINITELY

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INTERESTED IN POSSIBILITY OF GM COLLABORATION WITH ROMANIA

CONCERNING MANUFACTURE AND EXPORT MARKETING OF SMALL CAR.
PROPOSAL TAKING SHAPE WOULD CALL FOR GM TO ASSIST GOR TO ESTABLISH
FACILITY FOR MANUFACTURE OF ABOUT 120,000 UNITS PER ANUM OF
GM'S "T" CAR. GM WOULD MARKET SUBSTANTIAL PORTION OF THIS
PRODUCTION IN ITS WESTERN EUROPEAN MARKETS.

4. MAJOR DIFFERENCE BETWEEN TWO SIDES RELATED TO FORM OF
COLLABORATION. ROMANIANS (DEPUTY MINISTER BUTOI) PUSHED FOR
GM EQUITY PARTICIPATION, WHICH NEWTON FIRMLY RESISTED. GM
COUNTER-PROPOSAL ENVISAGED GM ASSISTANCE FOR GOR TO SECURE
FINANCING IN WEST FOR IMPORTATION OF SUBSTANTIAL
QUANTITY OF COSTLY CAPITAL EQUIPMENT REQUIRED FOR NEW PLANT.
(NEWTON RESPONDED POSITIVELY WHEN ASKED WHETHER THIS MIGHT
ENTAIL APPLICATION TO EXIM).

4. NEWTON/KRAUSE PLAN TO VISIT BUCHAREST LATER THIS MONTH,
UNDETERRED BY DISAGREEMENT OVER KIND OF COOPERATION.

5. COMMENT. IN BRIEF DISCUSSION WITH EMBOFF ON AUGUST 2,
MINISTER AVRAM MADE CLEAR HIS DELIGHT AT HAVING BOTH CHRYSLER
AND GM BIDDING SIMULTANEOUSLY. HE SUGGESTED OFFERS FROM BOTH
FIRMS WERE ATTRACTIVE ENOUGH TO WARRANT FURTHER EXPLORATION.
WHEN ASKED WHY BUTOI HAD INSISTED ON JOINT VENTURE FRAMEWORK
WITH GM WHEN HE HAD NOT DONE SO WITH CHRYSLER, AVRAM INDICATED
THAT HAD SIMPLY BEEN TACTICAL MOVE.

6. ASIDE FROM AMERICAN FIRMS, FRENCH CAR MAKER RENAULT UNDER-
STOOD TO BE BACK IN ACTIVE NEGOTIATIONS. WE LEARNED FROM FRENCH
EMBASSY SOURCE THAT LENGTHY DISCUSSIONS ON ROMANIAN CAR PROJECT
OCCURRED DURING CHIRAC VISIT.

BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, AUTOMOBILES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUCHAR03834
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750274-0273
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750867/aaaacgrk.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by MartinML>; APPROVED <21 OCT 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ROMANIAN SMALL CAR PROJECT: GM INTEREST
TAGS: BPRO, BTRA, RO, XT, GENERAL MOTORS, CHRYSLER
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006